

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION FOR THE	)	
TRANSFER OF THE WASTEWATER	)	
TREATMENT PLANT FROM BIG BEAR	)	CASE NO. 98-089
RESORTS, INC. TO BIG BEAR WASTEWATER,	)	
INC.	)	

O R D E R

IT IS ORDERED that Big Bear Wastewater, Inc. ("Big Bear Wastewater") shall file the original and 8 copies of the following information with the Commission within 14 days of this Order, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. At Attachment 1 of Item 1 of its Response to the Commission's Order of June 18, 1998, Big Bear Wastewater states that the total cost of the utility is \$151,605.04. At

page 2 of its Annual Report to the Public Service Commission for the year ended December 31, 1997, Big Bear Wastewater states that total cost of the utility plant is \$135,754.

- a. Explain the discrepancy.
- b. Upon which cost should the Commission rely? Why?

2. At Attachment 1 of Item 1 of its Response to the Commission's Order of June 18, 1998, Big Bear Wastewater states that the total accumulated depreciation on the utility plant is \$21,348. At page 2 of its Annual Report to the Public Service Commission for the year ended December 31, 1997, Big Bear Wastewater states the total accumulated depreciation on the utility plant is \$863.

- a. Explain the discrepancy.
- b. Upon which accumulated depreciation amount should the Commission rely? Why?

3. Refer to Big Bear Wastewater's Response to the Commission's Order of June 18, 1998, Attachments 1 and 2.

- a. Why does the journal entry shown in Attachment 2 fail to reflect any accumulated depreciation?
- b. Does Big Bear Wastewater agree that the Uniform System of Accounts for Sewer Utilities would require Big Bear Wastewater to reflect in the journal entry recording the transfer of any accumulated depreciation from the original service date to the date of the transfer? If no, why not?

4. Refer to Big Bear Wastewater's Response to the Commission's Order of June 18, 1998, Attachment 3.

a. Were the assets (other than the wastewater treatment plant) and the liabilities reflected in Attachment 3 part of the transfer from Big Bear Resorts to Big Bear Wastewater?

b. If yes, why are they not reflected in the journal entry to record the transfer?

5. Provide a balance sheet and income statement for Big Bear Wastewater for calendar year 1997 which do not reflect the proposed transfer of the wastewater treatment plant.

6. Refer to Big Bear Wastewater's Response to the Commission's Order of June 18, 1998, Item 12.

a. Provide the loan agreement or other debt instrument that evidences the debt.

b. To whom was the note or other debt instrument issued?

7. a. When was the Big Bear Resorts, Inc. ("Big Bear Resorts") wastewater treatment plant constructed?

b. (1) Who was responsible for the original construction of the wastewater treatment plant?

(2) If Big Bear Resorts was not responsible for the wastewater treatment plant's construction,

(a) When did Big Bear Resorts acquire the wastewater treatment plant?

(b) How was Big Bear Resorts' acquisition of the wastewater treatment plant financed?

(c) When did Big Bear Resorts begin providing sewer service?

(d) Provide all documents that address Big Bear Resorts' acquisition of the wastewater treatment plant.

(e) When Big Bear Resorts acquired the wastewater treatment plant, did it assume any debt obligations or any liabilities as part of the acquisition?

(f) Did Big Bear Resorts recover any of its acquisition costs through the sale of condominiums or land? If yes, how much of its acquisition costs were recovered through such sales?

c. How was the wastewater treatment plant's construction originally financed?

d. (1) Did Bear Development, Inc. ("Bear Development") ever own the wastewater treatment?

(2) If yes,

(a) When?

(b) From whom did it acquire the wastewater treatment plant?

(c) To whom did Bear Development eventually transfer the wastewater treatment plant?

(d) How did Big Bear Resorts acquire the wastewater treatment plant?

(e) Under what terms did Big Bear Resorts acquire the wastewater treatment plant?

e. What is the original in-service date for the wastewater treatment plant?

f. (1) Have any changes or additions been made to the wastewater treatment plant since its original construction?

(2) If yes, describe these changes and state when they were made and their cost.

8. What is the relationship, if any, between Big Bear Resorts and Bear Development?

9. a. Are any of the shareholders of Big Bear Wastewater also shareholders of Bear Development?

b. If yes, identify those persons who have an ownership interest in both corporations.

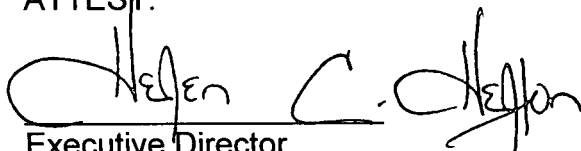
10. Show all calculations which Big Bear Wastewater made to determine the basis of the wastewater treatment plant.

Done at Frankfort, Kentucky, this 21st day of August, 1998.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director